



[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9650]

RIN 1545-BK67; RIN 1545-BK91

Definitions and Reporting Requirements for Shareholders of Passive Foreign Investment Companies; Insurance Income of a Controlled Foreign Corporation for Taxable Years Beginning After December 31, 1986; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to final and temporary regulations (TD 9650)

that were published in the **Federal Register** on Tuesday, December 31, 2013 (78 FR 79602).

The regulations provide guidance on determining ownership of a passive foreign investment company (“PFIC”) and on the annual filing requirements for shareholders of PFICs.

DATES: This correction is effective **INSERT DATE OF PUBLICATION OF THIS DOCUMENT IN THE FEDERAL REGISTER** and applicable beginning December 31, 2013.

FOR FURTHER INFORMATION CONTACT: Susan Massey at (202) 317- 6934 (not a toll free number).

SUPPLEMENTARY INFORMATION:

Background

The final and temporary regulations (TD 9650) that are the subject of this correction are under sections 1291, 1298, 6038, and 6046 of the Internal Revenue Code.

Need for Correction

As published, the final and temporary regulations (TD 9650) contain errors that may prove to be misleading and are in need of clarification.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Correction of Publication

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

Par. 2. The section heading for §1.6038-2T is revised to read as follows:

§1.6038-2T Information returns required of United States persons with respect to annual accounting periods of certain foreign corporations beginning after December 31, 1962 (temporary).

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Par. 3. Section 1.6046-1 is amended as follows:

1. Paragraphs (a)(2)(i)(a) and (b) and (c)(1) and (3) are revised.
2. The language “in value” is removed wherever it appears in paragraphs (a)(3) Example 2.(i), (a)(3) Example 3., and (c)(2).
3. The language “M” in the first sentence of paragraphs (a)(3)Example 2.(i), (c)(2) Example 3.(i), and (c)(2) Example 5.(i) is removed and the language “M Corporation” added in its place.

4. The language “liability” in paragraph (a)(3) Example 2. (ii) is removed and the language “liability for A” added in its place.

5. The language “U.S.” in paragraph (c) introductory text and paragraph (c)(1) introductory text is removed and the language “United States” added in its place.

6. Paragraph (l)(2) is revised.

The revisions read as follows:

§1.6046-1 Returns as to organizations or reorganizations of foreign corporations and as to acquisitions of their stock.

(a) * * *

(2) * * *

(i) * * *

(a) Acquires (whether in one or more transactions) outstanding stock of such corporation which equals, or which when added to any such stock then owned by him equals, 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation;

(b) Acquires (whether in one or more transactions) an additional 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation; or

* * * * *

(c) Returns required of United States when liability to file arises after January 1, 1963--

(1) United States persons required to file. A return on Form 5471, containing the information required by paragraph (c)(4) of this section, shall be made by each United States person when at any time after January 1, 1963:

(i) Such person acquires (whether in one or more transactions) outstanding stock of such foreign corporation which equals, or which when added to any such stock then owned by him equals, 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation;

(ii) Such person, having already acquired the interest referred to in paragraph (b) of this section or in paragraph (c)(1)(i) of this section --

(a) Acquires (whether in one or more transactions) an additional 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation;

(b) Owns 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation when such foreign corporation is reorganized (as defined in paragraph (f)); or

(c) Disposes of sufficient stock in such foreign corporation to reduce his interest to less than 10 percent of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation; or

(iii) Such person is, at any time after January 1, 1987, treated as a United States shareholder under section 953(c) with respect to a foreign corporation.

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(3) Shareholders who become United States persons. A return on Form 5471, containing the information required by paragraph (c)(4) of this section, shall be made by each person who at any time after January 1, 1963, becomes a United States person while owning 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation.

* * * * *

(1) * * *

(2) Paragraph (c)(1)(iii) of this section applies to taxable years ending on or after December 31, 2013.

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Par. 4. Section 1.6046-1T is amended by revising paragraph (e)(5) to read as follows:

§1.6046-1T Returns as to organizations or reorganizations of foreign corporations and as to acquisitions of their stock (temporary).

* * * * *

(e) * * *

(5) Persons excepted from furnishing items of information. Any person required to furnish any item of information under paragraph (b) or (c) of this section with respect to a foreign corporation may, if such item of information is furnished by another person having an equal or greater stock interest (measured in terms of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation) in such foreign corporation, satisfy such requirement by filing a statement with his return on Form 5471 indicating that such liability has been satisfied and identifying the return in which such item of information was included. This paragraph (e)(5) does not apply to persons excepted from filing a return by reason of the provisions of paragraph (e)(4) of this section.

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